

VIA MESSENGER

October 17, 2003

James T. Odiorne
Deputy Insurance Commissioner
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

Re: Premera's Proposed Reorganization/Stock Program

Dear Deputy Insurance Commissioner Odiorne:

By letter dated September 10, 2003, the Commissioner notified Premera that its Form A filing is not complete without the stock ownership plan that Premera would adopt in connection with the conversion. The notice indicates that Premera's commitment to abide by the limitations and restrictions on stock programs as contained in Exhibit G-10, filed in October 2002, does not provide sufficient detail about potential stock programs. The draft reports of the OIC consultants, issued October 3, 2003, identify specific stock plan terms they would like to review in their consideration of the proposed reorganization.

While Premera does not believe that a stock ownership plan is a required part of a Form A filing, or that the Form A was deficient prior to this submittal, it does want to provide the Commissioner all the information he believes is appropriate for consideration of the proposed reorganization. To meet the Commissioner's request, the Board of Directors of Premera has undertaken review of the specific terms of stock programs it would implement should the conversion be approved. Accordingly, the Board has approved and asked management to deliver to you the following:

- (a) Equity Incentive Plan (and ancillary agreements referred to therein), and
- (b) Mercer Human Resource Consulting presentation to Premera Board of Directors dated October 17, 2003 ("Mercer presentation"), marked to reflect the stock plan terms as approved by the Board.


The Equity Incentive Plan, and the approved terms as reflected in the enclosed mark-up of the Mercer presentation, address each of the stock plan provisions identified by the

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OIC consultants in their draft reports, and provide the specifics they requested in those draft reports.

The Equity Incentive Plan (and ancillary agreements) referred to in subpart (a) above are being provided to you without restriction on public dissemination. The Mercer presentation (as presented to the Board and as modified to reflect the Board approval) in subpart (b), contains confidential and proprietary information. Accordingly, the Mercer presentation (as presented to the Board and as modified to reflect the Board approval), is designated as not for public disclosure. The document, of course, is subject to disclosure pursuant to the procedures and limitations established by the Commissioner in his Eighth Order: Protective Order.

Sincerely,



John P. Domeika